



Amy G. Rabinowitz
Counsel

July 20, 2001

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Joint Utilities' Motion for Clarification; D.T.E. 99-84

Dear Secretary Cottrell:

On July 19, 2001, Bay State Gas Company, Blackstone Gas Company, Boston Gas Company, Colonial Gas Company, Essex Gas Company, Fall River Gas Company, Fitchburg Gas and Electric Light Company, North Attleboro Gas Company, NSTAR Gas Company, Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company, Fitchburg Gas and Electric Light Company and Western Massachusetts Electric Company (together, the "Joint Utilities") petitioned the Department of Telecommunications and Energy (the "Department") for clarification of its decision in Service Quality Standards for Electric Distribution Companies and Local Gas Distribution Companies, D.T.E. 99-84, issued June 29, 2001 (the "Order"). The Joint Utilities sought clarification of the Department's Order and related guidelines (the "Guidelines") on issues relating to: (1) penalty offsets; and (2) customer-service guarantees. By this letter, Massachusetts Electric Company and Nantucket Electric Company ("Mass. Electric") express support for the Joint Utilities' requested clarifications.

First, the Joint Utilities request clarification of the Order to indicate that the symmetrical penalty-offset system established by the Department allows utilities to carry over penalty offsets for use in subsequent years. Mass. Electric's rate plan settlement, approved by the Department in docket D.T.E. 99-47, allows Mass. Electric to offset penalties and rewards in subsequent years. This approach prevents random variations in the data caused by factors outside Mass. Electric's control from incorrectly penalizing Mass. Electric. Clarifying the Department's generic Order in this manner will ensure that the policy goals underlying the adoption of the symmetrical standard-deviation approach are achieved. In preparing our compliance filing in this docket, Mass. Electric will be working in conjunction with the other parties to our rate plan settlement, as the settlement requires, to implement revised performance standards that closely align with the terms of the Order. Mass. Electric believes that it would be most appropriate for our revised service quality plan to continue to allow the carryover of penalty offsets for use in subsequent years.

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The Joint Utilities also request clarification on the extent to which customer rebates or credits will be incorporated into the penalty formula. Mass. Electric agrees that the Department's directive to institute customer-service guarantees must be consistent with the provisions of G.L. c. 164, § 1E, in that the penalties paid as customer-service guarantees, plus any penalties associated with the performance measures cannot exceed the maximum penalty of 2 percent of a company's annual transmission and distribution revenues.

Thank you very much for your time and attention to this matter.

Very truly yours,

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